

NORTHERN PROVINCE

**BUSINESS STUDIES TEACHERS ASSOCIATION OF
ZAMBIA**

Question and Answer

BUSINESS STUDIES

GRADE 8–9

First Edition

MUTIPLE CHOICE QUESTIONS

1. The job opportunity available to a book keeper is _____
(A) General manager
(B) Accounts clerk
(C) Secretary
(D) Office clerk
2. The book of original entry for cash transaction is _____
(A) Purchases journal
(B) Sales returns journal
(C) Cash book
(D) Sales journal
3. The following were the balances of the business capital K2500, Building K4000, Cash at bank K3500

How much were the value of the liabilities?

- (A) K7300
(B) K7800
(C) K5000
(D) K6000
4. A business had a gross profit of K5 000; expenses worth K500 and net profit of K4 600 .How much were the income?
(A) K100
(B) K400
(C) K900
(D) K200
5. You are given a computer, which you decide to use in your business. This should be recorded in your accounts by

DR

CR

- | | |
|----------------------|------------------|
| (A) Capital account | Computer account |
| (B) Bank account | Capital account |
| (C) Computer account | capital account |
| (D) Computer account | Cash account |
6. A debit balance of K600, 000 on chulu's account in the books of mupeso means that
(A) Mapeso owes chulu K600, 000
(B) Chulu owes musepo K600, 000
(C) Chulu paid mupeso K600, 000
(D) Mupeso paid chulu K600, 000
 7. Which of the following should not be called sales?
(A) Office fixtures sold

- (B) Goods sold on credit
 - (C) Goods sold for cash
 - (D) Sales of goods which were previously included in purchases
8. Which of the following is a current liability?
- (A) Debtors
 - (B) Loan
 - (C) Bank overdraft
 - (D) Capital
9. The page number in the ledger is known as _____
- (A) Ledger
 - (B) Debit side and credit side
 - (C) Trial balance
 - (D) Folio
10. Zain (Z) Limited can be classified under the following headings
- (A) Real account
 - (B) Personal accounts
 - (C) Nominal accounts
 - (D) Assets accounts
11. A purchase invoice showing 15 items of K600 000 each less 20% trade discount and 5% cash discount. If paid within the credit period, the amount of the cheque will be
- (A) K160, 000
 - (B) K684, 000
 - (C) K36, 000
 - (D) K720, 000
12. James Kalusha maintains his petty cash on impress basis with a float of K500 for each month. How much will be given to his petty cashier to restore the impress if he had spent K410?
- (A) K410
 - (B) K90
 - (C) K500
 - (D) K910
13. The purpose of the trading account is to find
- (A) Net profit/ loss
 - (B) Gross profit/ loss
 - (C) Fixed assets
 - (D) Capital
14. The total of sales journal is transferred to
- (A) Credit side of the sales account
 - (B) Credit side of the sales ledger
 - (C) Debit side of the sales account
 - (D) Debit side of the cash book
15. The cost of putting goods into a saleable condition should be charged to
- (A) Trading account

- (B) Profit and loss account
 - (C) Balance sheet
 - (D) Petty cash book
16. The purchases ledger of a business contains
- (A) Capital account
 - (B) Creditors account
 - (C) Nominal account
 - (D) Debtors account
17. Which of the following accounts normally has a debit balance?
- (A) Capital account
 - (B) Returns outwards
 - (C) Sales account
 - (D) Purchases account
18. The correct heading for the trial balance is
- (A) Trial balance of -----as at
 - (B) Trial balance for the period ended
 - (C) Trial balance as at
 - (D) Trial balance of -----for the period ended
19. The total of the "Discount allowed" column in the cash book is posted to the
- (A) Debit of the discount allowed column
 - (B) Debit of the discount received column
 - (C) Credit of the discount allowed account
 - (D) Credit of the discount received
20. When starting a business the first transaction that takes place is the
- (A) Buying of assets
 - (B) Transfer to the owner's accumulated capital to the firm
 - (C) Buying of goods for resale
 - (D) The employment of workers
21. The double entry principle for contra entry is maintained within the
- (A) Cash book
 - (B) Purchases
 - (C) Sales
 - (D) Petty cash book
22. Which of the following does not appear in the profit and loss account?
- (A) Capital
 - (B) Rent received
 - (C) Salaries
 - (D) Commission paid to sales agent
23. To prove the arithmetic accuracy the book-keeper will prepare
- (A) Balance sheet
 - (B) Profit and loss account
 - (C) Trial balance

- (D) Trading account
24. Kasama water and sewerage can be classified as
- (A) Real account
 - (B) Personal account
 - (C) Nominal account
 - (D) General account
25. The following are transactions except
- (A) Credit transactions
 - (B) Money transactions
 - (C) Bank transactions
 - (D) Cash transactions
26. What is the excess of current assets over current liabilities?
- (A) Net loss
 - (B) Working capital
 - (C) Capital employed
 - (D) Net assets
27. The best example of real account is _____
- (A) Wages and salaries
 - (B) Cash accounts
 - (C) Zesco limited account
 - (D) Sales returns account
28. The liability of the business is called _____
- (A) Capital
 - (B) Sales
 - (C) Cash
 - (D) Purchases
29. Which of the following has a debit balance?
- (A) Drawings
 - (B) Sales
 - (C) Capital
 - (D) Discount received
30. The other name for sales returns is _____
- (A) Returns inwards
 - (B) Returns outwards
 - (C) Sales day book
 - (D) Journal proper
31. Mortgage is an example of _____
- (A) Fixed assets
 - (B) Current liabilities
 - (C) Current assets
 - (D) Long term liabilities
32. A creditor is _____

- (A) A person you owe money
 - (B) A person who owes you money
 - (C) A customer of goods
 - (D) Who deals non cash only
33. When preparing the trial balance, which one of the following is needed on the credit side
- (A) Cash
 - (B) Capital
 - (C) Returns inwards
 - (D) Office equipment
34. Cost of goods sold is _____
- (A) Opening
 - (B) Purchases less closing stock
 - (C) Purchases plus closing stock
 - (D) Opening stock plus purchases less closing stock
35. Which one of the following does not appear in the profit and loss account?
- (A) Capital
 - (B) Salaries
 - (C) Rent received in advance
 - (D) Commission paid to sales agents
36. Which of the following is a correct formula for the accounting equation?
- (A) $\text{Capital} + \text{Liabilities} = \text{Assets}$
 - (B) $\text{Liabilities} + \text{Assets} = \text{Capital}$
 - (C) $\text{Capital} + \text{Liabilities} = \text{Assets}$
 - (D) $\text{Liabilities} + \text{Assets} + \text{Capital} = \text{Balance sheet}$
37. The cost of goods sold for the business was K800, 000 and the gross loss was K100, 000. What was the figure for sales?
- (A) K900, 000
 - (B) K200, 000
 - (C) K700, 000
 - (D) K800, 000
38. The main book of account is called ...
- (A) Cash book
 - (B) Ledger
 - (C) Sales journal
 - (D) Purchases journal
39. Which of the following is the original document for goods bought for cash?
- (A) Cheque
 - (B) Receipt
 - (C) Voucher
 - (D) Invoice

40. A ____ envelope has a transparent panel for the address
- a) Registered
 - b) Bank
 - c) Window
 - d) Airmails
41. How many sheets of paper are there in a ream?
- a) 24 sheets
 - b) 500 sheets
 - c) 100 sheets
 - d) 150 sheets
42. A visually impaired person can work as a typist; he/she will be called?
- a) Steno- typist
 - b) Audio- typist
 - c) Clerk typist
 - d) Copy- typist
43. Name the machine used for assembling papers together.
- a) Franking machine
 - b) Collating machine
 - c) Shredding machine
 - d) Stapling machine
44. By the use of ____, thousands of copies can be produced using a single stencil
- a) Telex machine
 - b) Photocopier
 - c) Ink duplicator
 - d) Franking machine
45. Which of the following deductions is statutory?
- a) PAYE
 - b) Rent
 - c) Premiums

- d) Club subscriptions
46. One of the duties of the personal secretary is?
- a) Appear smart
 - b) Chat with fellow workers
 - c) Make travel arrangements for the boss
 - d) Make tea for the workers
47. Who are the main customers of the..... bank?
- a) Business people
 - b) Civil servants
 - c) Account holders
 - d) Rural people
48. A cheque provides one of the following advantages
- a) Stays longer
 - b) Safety
 - c) Privacy
 - d) Acceptability
49. When you make a telephone call for which payment is made by the person called, it is known as
- a) Trunk call
 - b) Fixed time call
 - c) Local call
 - d) Collect call
50. Which bank account is usually referred to as a cheque account?
- a) Current
 - b) Deposit
 - c) Fixed deposit
 - d) Savings
51. A blank cheque has no ____ indicated on it
- a) Amount

- b) Date
 - c) Signature
 - d) Drawer's name
52. A telex machine combines....
- a) Telephone and typewriter
 - b) Telegram and telephone
 - c) Telephone and facsimile machine
 - d) Computer and telegram
53. Zampost provides one of the following methods for the transmission of computer materials. Which one is this
- a) Data post
 - b) Postal order
 - c) Telex
 - d) Zamtel
54. Which one of the following should **not** be allowed among employees at places of work?
- a) Punctuality
 - b) Smartness
 - c) Applying the behavior of prying
 - d) Respecting the privacy of other workers
55. A trader buys 400 bars of boom soap at k1 2 per bar which attracts 20% V.A.T. how much does a customer pay for them?
- a) K4 700
 - b) K3 084
 - c) K5 760
 - d) K4 800
56. An entrepreneur is a person who . . .
- a) Runs a business and bears risks
 - b) Manages a business
 - c) Organizes business activities and share of profits with other partners

- d) Manages a big business
57. The organization chart
- a) Allows the duplication of work
 - b) Receives the liabilities of the business
 - c) Gives information of the organization at a place of work
 - d) Shows the managers of the organization
58. Which one of the following is not a function of an office
- a) Storing data
 - b) Analyzing data
 - c) Computing data
 - d) Manipulating data
59. Which one of the following is not an enterprise found in the community
- a) Diary
 - b) Hair saloon
 - c) Poaching
 - d) Butchery
60. A computer has several functions, one of them is to
- a) Store data
 - b) Tell the name of the operator
 - c) Store information
 - d) Pay salaries
61. What do the abbreviation NRC stands for
- a) No Carbon Required
 - b) No Card Required
 - c) No Cash Required
 - d) National Registration Card
62. ____ is provided by the post office for mail sent to the blind
- a) Data post
 - b) E- mail

- c) Free post
 - d) Poste Restante
63. The letters E & OE on the invoice stands for
- a) Errors and omission excepted
 - b) Errors and omission accepted
 - c) Errors and observation excepted
 - d) Errors and office expectations
64. A payroll may be defined as a list of
- a) Employee's name
 - b) Names and amounts
 - c) Wages
 - d) Wages and salaries to be paid by an employer
65. ____ is a cheaper and higher grade of paper used for carbon copies and sets of form
- a) Flimsy
 - b) Bond
 - c) Airmail
 - d) Copier bond
66. Which one of the following is way of strengthening entrepreneurial abilities
- a) Seeking help from others
 - b) Gossiping
 - c) Dancing
 - d) Stealing
67. Which one of the following is **not** true about a sole trader
- a) It is easy to set up
 - b) It is the cheapest and most common type of enterprise
 - c) It has limited liability
 - d) It is easy to control and manage
68. When you cut into half, a sheet of A2 paper size will produce two sheets of
- a) A5

- b) A1
 - c) A4
 - d) A3
69. ____ is a typist who types from dictation.
- a) Clerk typist
 - b) Copy typist
 - c) Audio typist
 - d) Stenographer
70. The founders of the business are called
- a) General managers
 - b) Board of directors
 - c) Managers
 - d) Human resources
71. What system is used for the petty cash book
- a) Imprest system
 - b) Meter system
 - c) Refund system
 - d) Rotary system
72. The process of checking books of accounts for correction and completeness is called
- a) Book keeping
 - b) Auditing
 - c) Trial balance
 - d) Balance sheet
73. Which of the following typist would be more suitable to be a personal secretary
- a) Copy typist
 - b) Stenographer
 - c) Audio typist
 - d) Clerk typist
74. A quotation is a reply to an inquiry and can be in form of a . . .

- a) Profoma invoice
- b) Credit note
- c) Newspaper
- d) Clerk typist

75. Staples and pencils are part of stationary but staplers and ink duplicator are part of . . .

- a) Office equipment
- b) Photocopies
- c) Franking machine
- d) Calculating machines

76. Piece rate is payment for. . .

- a) Amount of work produced
- b) Goods purchased
- c) Number of goods sold
- d) Number of hours worked

77. The license of a franking machine must be obtained from the . . .

- a) Police station
- b) Post office
- c) Company selling franking machine
- d) Radio station

78. A___ is used to open letters to avoid tearing the contents

- a) Stylus
- b) Guillotine
- c) Scissors
- d) Paper knife

QUESTION 1

The following balance were extracted from

the ledger of Walikundo Trading on 31st December, 2011. Write up a Trial Balance for Walikundo Trading

as at 31st December, 2011

SOLUTION

TRIAL BALANCE AS AT 31 December, 2011

DETAILS	K	DETAILS	DR	CR
Cash in hand	1500	Cash in hand	1500	
Bank Overdraft	8000	Bank Overdraft		8000
Sales Returns	1500	Sales Returns	1500	
Purchases	8750	Purchases	8750	
Discount Received	1650	Discount Received		1650
Capital	8700	Capital		8700
Rent owing	450	Rent Owing		450
Fixtures and Fittings	17500	Fixtures and Fittings	17500	
Mortgages on premises	5000	Mortgages on premises		5000
Debtors	3950	Debtors	3950	
Creditors	4250	Creditors		4250
Insurance Prepaid	550	Insurance Prepaid	550	
Sales	10500	Sales		10500
stock	3200	stock	3200	
Drawing	1600	Drawing	<u>1600</u>	
			<u>38550</u>	<u>38550</u>

QUESTION 2

You are required to prepare the Trial Balance from her books on 31 December, 2010.

Stock at start (01.01.2010)	203, 400
Purchases	2, 502, 800
Sales	3, 684, 600
Returns Inwards	6, 200
Returns Outwards	37, 400
Discount received	52, 300
Wages	655, 200
Rent	12, 600
Lighting	11, 400
Insurance	44, 200
Cash	4, 500
Bank overdraft	84, 600
Postage	20, 000
Capital	1, 300, 800

Drawings	860, 000
Fixtures and fittings	635, 000
Carriage inwards	44, 000
Debtors	254, 000
Creditors	230, 000
Bad Debts	86, 600
Advertising	40, 000
Loan	340, 000
Motor Expenses	200, 000
Office Expenses	149, 800

SOLUTION

DETAILS	DR	CR
Stock at start (01.01.2010)	203,400.00	
purchases	2,502,800.00	
sales		3,684,600.00
returns inwards	6,200.00	
returns outwards		37,400.00
discount received		52,300.00
wages	655,200.00	
rent	12,600.00	
lighting	11,400.00	
insurance	44,200.00	
cash	4,500.00	
bank overdraft		84,600.00
postage	20,000.00	
capital		1,300,800.00
drawings	860,000.00	
fixtures and fittings	635,000.00	
carriage inwards	44,000.00	
debtors	254,000.00	
creditors		230,000.00
bad debts	86,600.00	
advertising	40,000.00	
loan		340,000.00
motor expenses	200,000.00	
office expenses	<u>149,800.00</u>	-
	<u>5,729,700.00</u>	<u>5,729,700.00</u>

QUESTION 3

The Trial Balance of M.S Mwanga's Trading business in new town it was prepared by an incompetent book keeper. You are advised to redraft a Trial Balance.

DETAILS	DR	CR
Sales	190,576.00	
Purchases		119,832.00
wages and Salaries		56,527.00
Motor Expenses		2,416.00
rent	1,894.00	
insurance	372.00	
General Expenses		85.00
premises		95,420.00
motor Vehicles	16,594.00	
Debtors		26,740.00
creditors	16,524.00	
Cash in hand	16,519.00	
cash at Bank		342.00
drawings	8,425.00	
Capital	<u>139,066.00</u>	-
	<u>389,970.00</u>	<u>181,530.00</u>

Solution

DETAILS	DR	CR
Sales		190,576.00
Purchases	119,832.00	
wages and Salaries	56,527.00	
Motor Expenses	2,416.00	
rent	1,894.00	
insurance	372.00	
General Expenses	85.00	
premises	95,420.00	
motor Vehicles	16,594.00	
Debtors	26,740.00	
creditors		16,524.00
Cash in hand	16,519.00	
cash at Bank	342.00	
drawings	8,425.00	
Capital		<u>138,066.00</u>
	<u>345,166.00</u>	<u>345,166.00</u>

QUESTION 4

Prepare a two cash using the following information for the month of August 2013.

Aug 1: started business with K 500 and K 5000 at the bank.

Aug 2: Bought machinery by cheque K 850.

Aug 5: Bought goods by cash K 300 and by cheque K3020

Aug 7: Sold goods by cheque K1000

Aug15: Motor expenses K120

Aug 17: Cash sales K600

Aug 20: Paid rent by cheque k400

Aug 26: Paid wages by cash K 270

Aug 28: Transport costs K 150

Aug 29: Sales by cheque K2800

Aug 30: Bought goods by cheque K 2600.

SOLUTION:

TWO COLUMN CASH BOOK						
DATE	DETAILS	F	CASH		BANK	
2015			DR	CR	DR	CR
1-Aug	capital		500		5000	
2-Aug	Machinery					850
5-Aug	Purchases			300		3020
7-Aug	Sales				1000	
15-Aug	Motor expenses			120		
17-Aug	Sales		600			
20-Aug	rent					400
26-Aug	Wages			270		
28-Aug	Transport			150		
29-Aug	Sales				2800	
30-Aug	Purchases					2600
31-Aug	Balance	c/d	-	<u>260</u>	-	<u>1930</u>
			<u>1100</u>	<u>1100</u>	<u>8800</u>	<u>8800</u>
1-Sep	Balance	b/d	260		2600	

QUESTION

Write down the source documents for the following

- a) Purchases Returns Journal
- b) Sales Day Book
- c) Purchases Day Book
- d) Sales Returns Journal

SOLUTION

- a. Original Credit Note
- b. Duplicate Invoice
- c. Original Invoice
- d. Duplicate Credit Note

QUESTION

- a) The account of the owner of the business is called Account.
- b) Assets which easily change form are
- c) Capital plus total liabilities gives us
- d) The recording of business transactions in the books of accounts is known as
- e) The exchange of goods for money is called

SOLUTION

- a) Creditors
- b) Current assets
- c) Assets
- d) Bookkeeping
- e) A Transaction

QUESTION

The following balances were extracted from Shamwana's books on 31st December 2012

K

Purchases	9,280,000
Sales	15,716,500
Cash in hand	32,400
Bank balance	410,000
Capital	1,140,000
Drawings	1,710,000
Office furniture	290,000
Rent	340,000
Wages and salaries	3,140,000
Discount allowed	82,000
Discount received	16,000
Debtors	1,231,600
Creditors	524,500
Stock (01/01/2012)	412,000
Commission received	40,500
Motor vehicles	375,000
Sundry expenses	61,500
Bad debts written off	73,000

Solution

Shamwana's trial balance as at 31st December 2012

	Dr (K)	Cr (K)
Purchases	9,280,000	
Sales		15,716,500
Cash	32,400	
Bank	410,000	
Capital		1,140,000
Drawings	1,710,000	
Office furniture	290,000	
Rent	340,000	
Wages and salaries	3,140,000	
Discount allowed	82,000	
Discount received		16,000
Debtors	1,231,600	
Creditors		524,500
Stock (1st January 2009)	412,000	
Commission received		40,500
Motor vehicles	375,000	
Sundry expenses	61,500	
Bad debts	73,000	
	17,437,500	17,437,500

REQUIRED TO:

Prepare a Trial Balance as at 31st December 2012 (12 marks)

SKM, a sole trader, extracted the following Trial Balance from his books at the end of the trading period on 31st December 2012

TRIAL BALANCE AS AT 31ST DECEMBER 2012

DETAILS	Dr (K)	Cr. (K)
Purchases and sales	457,200	839,400
Stock (01.01.2012)	103,200	
Capital		144,000
Bank overdraft		87,000
Cash in hand	1,800	
Discounts	28,800	18,600
Returns inwards	16,200	
Returns outwards		11,400
Carriage outwards	43,200	
Rent and Insurance	34,800	
Rent received		13,200
Wages and salaries	178,800	
Furniture	24,000	
Delivery vehicles	42,000	
Debtors and Creditors	238,200	121,200
Drawings	57,600	
General office expenses	9,000	
	1,234,800	1,234,800

Trading and profit and loss account for the year ending 31/12			
	K	K	K
Sales		839,400	
Less: returns inwards		<u>16,200</u>	
Turnover			823,200
Opening stock		103,200	
Purchases	457,200		
Less: returns outwards	<u>11,400</u>		
Net purchases		<u>445,800</u>	
Total stock available		<u>549,000</u>	
Less: closing stock		<u>(85,800)</u>	
Cost of goods sold			<u>463,200</u>
Gross profit			360,000
Add: incomes/gains			
Rent received			13,200
Discount received			<u>18,600</u>
			391,800
Less: expenses/losses			
Discount allowed		28,800	
Carriage outwards		43,200	
Rent and insurance		34,800	
Salaries and wages		178,800	
General office expenses		9,000	
Bad debts written off		30,000	
Total expenses			324,600
Net profit			<u>67,200</u>

From the following information, prepare B. Mwale's Day Books for the year 2012. Do not post to the Ledger.

Jan 1 B. Mwale bought from Kamwala Ltd, the following:

100 boxes of protex soap @ K50 a box
 200 cases of sugar @ K80 a case
 150 crates of Fanta @ K20 each
 Less 5% trade discount.

Jan 5 B. Mwale sold to Kaponya and Sons:

25 boxes Omo @ K50 a box
 60 tins Cobra @ K40 a tin
 Less 2½% trade discount

Jan 20 B. Mwale bought from Kasama Wholesalers:

50 shirts @ K25 each
 10 pairs of shoes @ K50 each
 40 dresses @ K60 each
 Less 10% trade discount

Jan 25 Kaponya and Sons returned the following goods due to damage while on transit:

5 tins of cobra sold on January 5th

(18 marks)

Solution

PURCHASES JOURNAL - B. MWALE ½

DATE	DETAILS	F	SUBTOTAL K	GRAND TOTAL K
2009 Jan-01	<u>KAMWALA LTD ½</u> 100 boxes of protex soap at K50 a box 200 cases of sugar at K80 a case 150 crates of Fanta at K20 each Less: 5% trade discount		5,000 ½ 16,000 ½ <u>3,000 ½</u> 24,000 ½ <u>1,200 ½</u>	22,800 (1)
Jan-20	<u>KASAMA WHOLESALERS ½</u> 50 shirts at K25,000 each 10 pairs of shoes at K50,000 each 40 dresses at K60,000 each Less: 10% trade discount		1,250 ½ 500 ½ <u>2,400 ½</u> 4,150 ½ <u>415 ½</u>	3,735 (1)
DEBIT THE PURCHASES ACCOUNT				26,535 ½

(9 marks)

SALES JOURNAL - B. MWALE ½

DATE	DETAILS	F	SUBTOTAL K	GRAND TOTAL K
2009 Jan-05	<u>KAPONYA AND SONS ½</u> 25 boxes of OMO @ K50 a box 60 tins cobra @ K40 a tin Less: 2½% trade discount		1,250 ½ <u>2,400 ½</u> 3,650 (1) <u>91.25 (1)</u>	3,558.75 (1)
CREDIT SALES ACCOUNT				3,558.75 ½

(5½ marks)

RETURNS INWARDS JOURNAL - B. MWALE ½

DATE	DETAILS	F	SUBTOTAL K	GRAND TOTAL K
2009 Jan-25	<u>KAPONYA AND SONS ½</u> 5 tins of cobra @ K40,000 a tin Less: 2½% trade discount		200 ½ <u>5 ½</u>	195 (1)
DEBIT RETURNS INWARDS JOURNAL				195 ½

(3½ marks)

From the following information prepare Chanda's sales, purchases and sales returns Journals. (Do not post to the ledger)

May 4 2013	Chanda bought from SKM Ltd, the following 200 boxes boom @ K20 each 150 Tins Cobra @ K15 each 200 cases Vim @ K10 each Less 5% Trade Discount
May 6 2013	Chanda sold to Zyambo& Sons 200 Boxes Boom @ K25 each 50 Tins Cobra @ K20 each Less 2 ½ % Trade Discount
May 9 2013	Chanda bought from JKK Wholesalers the following 100 Geisha Soap @ K2 each 200 Chick Soap @ K3 each 500 Protex Soap @ K4 Each Less 10% Discount
May 18 2013	Zyambo& Sons returned 8 Tins of Cobra due to damage in transit

Solution

Question 2

Chanda's Sales Day Book (1)			
date	details	Invoice Issued	Total
6-May	<u>Zyambo and Sons</u> 200 Boxes Boom 50 tins Cobra Less Trade Discount Sundry Debtors	 5,000 <u>1,000</u> 6,000 <u>150</u>	 5,850

Chanda's Purchases Journal (1)			
Date	Details	Invoice received	Total
4-May	<u>SKM Ltd</u> boom Tins Cobra Cases Vim Less Trade Discount	 4,000 2,250 <u>2,000</u> 8,250 412.50	 7,837.50
9-May	<u>JKK Wholesalers</u> Geisha Soap	200	

Chick Soap	600	
Protex Soap	<u>2,000</u>	
	2,800	
Less Trade Discount	280	
		<u>2,520.00</u>
Sundry Creditors		10,357.50

Chanda's Sales Returns Journal (1)

Date	Details	Issued Credit Note	Total
18-May	Zyambo and Sons		
	Tins Cobra	160	
	Less Trade Discount	4	
			156

Chanda is in business as a sole trade, and the following balances were extracted from her books on 31 December 2012

	K
Premises	980 000
Returns Inwards	28 000
Stock at 1 January 2011	52 000
Purchases	1 033 000
Sales	1 732 000
Discount received	10 000
Carriage inwards	6 600
Carriage outwards	14 800
Sundry Expenses	194 000
Fixtures and Fittings	231 000
Selling Expenses	24 000
Rates and Insurance	41 200
Cash in hand	600
Cash at bank	34 800
Debtors	60 000
Creditors	46 000
Motor Vehicles	100 000
Drawings	188 000
Capital	1 200 000

Solutions

Chanda's Trading and Profit and Loss Account for the year ended 31st December 2012

	K	K	K
sales		1,732,000	
less returns		<u>28,000</u>	
Turn Over			1,704,000
opening Stock		52,000	
Purchases	1,033,000		
Add: Carriage Inwards	<u>6,600</u>		
		<u>1,039,600</u>	
Stock Available		1,091,600	
Less Closing Stock		<u>72,000</u>	
Cost Of Sales			<u>1,019,600</u>
Gross Profit			684,400
Add: Discount received			<u>10,000</u>
Total Income			694,400
Less Expenses			
carriage outwards		14 800	
Sundry Expenses		194,000	
Selling Expenses		24,000	
Rates and Insurance		41,200	
Total Expenses			274 000
Net Profit			<u>420,400</u>

Balance Sheet as at 31 December 2012

	K	K	K
Fixed Assets			
Premises		980,000	
Motor Vehicles		100,000	
Fixtures and Fittings		<u>231,000</u>	
			1,311,000
Current Assets			
Stock		72,000	
Debtors		60,000	
Bank		34,800	
Cash		600	
		167,400	
Less Current Liabilities			
Creditors		46,000	
			<u>121,400</u>
Net Assets			1,432,400
Financed By			
Capital	1,200,000		
Add: Net Profit	<u>420,400</u>		
		1,620,400	
Less Drawings		<u>188,000</u>	

			1,432,400
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The following is a trial balance of Mwale's.

Details	Dr. (K)	Cr. (K)
Stock (1 st January 2013)	80, 000	
Sales		400, 000
Purchases	350, 000	
Returns	5, 000	6, 200
Wages and salaries	30, 000	
Rates	6, 000	
Telephone	1, 000	
Land and Buildings at cost	40, 000	
Motor Van at cost	30, 000	
Debtors and Creditors	9, 800	7, 000
Bad debtors	200	
Capital		179, 000
Cash at hand	23, 000	
Drawings	18, 000	
	593, 000	593, 000

Prepare the trading and profit and loss account for the year ended 31 December 2013 and balance sheet

Solution

Mwale's Trading and profit and loss account for the year ended 31 December 2013

	K	K	K
Sales		400, 800	
Less: Sales Returns		<u>5, 000</u>	
Net Purchases			395, 800
Opening stock		80, 000	
Purchases	350, 000		
Less: Returns Outwards	<u>6, 200</u>		
Net Purchases		<u>343, 800</u>	
Stock Available for sale		423, 800	
Less: Closing stock		<u>120, 000</u>	
Cost of sales			<u>303, 800</u>
Gross profit			92, 000
LESS: EXPENSES			
Wages and salaries		30, 000	
Rates		6, 000	
Telephone		1, 000	
Bad debts		200	
Total expenses			<u>37, 200</u>
Net profit			54, 800

BALANCE SHEET AS AT 31ST DECEMBER 2013

	K	K	K
FIXED ASSETS			
Land and Buildings		40, 000	
Motor Van		30, 000	
Total Fixed assets			70, 000
CURRENT ASSETS			
Stock		120, 000	
Debtors		9, 800	
Cash		23, 000	
Total Current assets		152,800	
LESS CURRENT LIABILITIES			
Creditors		7, 000	
Working Capital			<u>145, 800</u>
Net asset			<u>215 800</u>
Financed By:			
Capital	179, 000		
Add: net profit	<u>54, 800</u>		
		233, 800	
Less: Drawings		<u>18, 000</u>	
Capital owned			<u>215, 800</u>

For each of the following transactions, write the book of original entry and the source document.
For example

1 July 2013 Bought goods by cash

	BOOK OF ORIGINAL ENTRY	SOURCE DOCUMENT
	Cash Book	Receipt

Transactions

- 2nd July 2013 – Credit Sales to Mwamba
- 6th July 2013 – Paid Commission by Cash
- 8th July 2013 – Credit Purchases from Namutowe
- 8th July 2013 – P. Hambulo returned some goods
- 15th July 2013 – The Petty cashier bought some stationery

[10]

Solutions

	BOOK OF ORIGINAL ENTRY	SOURCE DOCUMENT
	Cash Book	Receipt
a.	Sales Journal	Sales Invoice
b.	Cash Book	Receipt
c.	Purchases Journal	Purchases invoice
d.	Sales Returns /Returns Inwards	Duplicate Credit Note
e.	Petty Cash Book	Voucher

You are required to write the missing word (s) or phrase (s) in the spaces provided

- The account of the owner of the business is called _____
- _____ are assets which change form easily.
- _____ are books in which credit sales, purchases, returns inwards and returns outwards are first written.
- The method of depreciation likely to be used by garage for the valuation of spanners would be the _____
- Cash discount is an allowance for the _____ payment

Solution

- Capital
- Current assets
- Subsidiary books
- Revaluation
- Prompt

In which final account would the following appear?

- Opening stock
- Wages and salaries
- Carriage inwards
- Bank overdraft
- Discount received

[5 Marks]

Write down a phrase or word which best describes the following statements

- Creditors always have a balance
- The list of balance from the ledger.....
-is the cost of transport on purchases
- Statement showing the financial position.....
- Assets which easily change form.....

[5 Marks]

Classify the following into **Personal**, **Nominal**, and **Real Accounts**

- i. Motor vehicles
- ii. Wages
- iii. Discount allowed
- iv. SKM motor Ltd

[4 Marks]

Solutions

- | | |
|----------------------------|-----|
| a. Trading account | [1] |
| b. Profit and loss account | [1] |
| c. Trading account | [1] |
| d. Balance sheet | [1] |
| e. Profit and Loss | [1] |

-
- | | |
|-----------------------|-----|
| i. Credit | [1] |
| ii. Trial balance | [1] |
| iii. Carriage inwards | [1] |
| iv. Balance Sheet | [1] |
| v. Current Assets | [1] |

-
- | | |
|--------------|-----|
| i. Real | [1] |
| ii. Nominal | [1] |
| iii. Nominal | [1] |
| iv. Personal | [1] |
-

Name the books of original entry which would be prepared from each of the following documents.

- i. Original Credit Note
- ii. Sales Invoice
- iii. Cheque Counterfoil
- iv. Original Invoice
- v. Petty cash Voucher

Solutions

- | | |
|---|-----|
| i. Purchases returns Journal/returns outwards Journal | [1] |
| ii. Sales Journal/sales day book | [1] |
| iii. Cash Book (bank Account) | [1] |
| iv. Purchases Day Book | [1] |

Multiple choice questions answers

1. B	14. A	27. B	40. C	53. A	66. A
2. C	15. A	28. A	41. B	54. C	67. C
3. C	16. B	29. A	42. B	55. C	68. D
4. A	17. D	30. A	43. B	56. A	69. D
5. C	18. A	31. D	44. C	57. C	70. B
6. B	19. A	32. A	45. A	58. D	71. A
7. A	20. B	33. B	46. C	59. C	72. B
8. C	21. A	34. D	47. C	60. A	73. B
9. D	22. A	35. A	48. B	61. D	74. A
10. B	23. C	36. A	49. D	62. C	75. A
11. B	24. B	37. C	50. A	63. A	76. D
12. A	25. B	38. B	51. A	64. D	77. B
13. B	26. B	39. B	52. C	65. D	78. D